




M E M O R A N D U M
BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR

TO: Honorable Chairman Joe A. Martinez, Board of County Commissioners	DATE: November 29, 2005
FROM: Charles Anderson, CPA  Commission Auditor	SUBJECT: Issues and Lessons Learned from the 2005- 2006 Budget Process

This report is in response to your request for our observations on issues and lessons learned from the FY 2005-2006 budget process. We had hoped to provide this report soon after the Board's passage of the FY 2005-2006 budget ordinances, but it was delayed by Hurricane Wilma and by our desire to first complete the long-planned, joint OCA/OSBM off-site meeting, which also was delayed by Wilma. Staff of OSBM and OCA continue to work together to improve the budgetary information provided to the Board. OSBM has had an opportunity to review this report, and their comments were considered.

As stated in the FY 2005-2006 Operating Budget Submission Manual, the most complex and time-consuming part of the Resource Allocation process is preparing departmental budget submissions. The information required by the manual and provided on the budget submission forms became the focus of discussions in the OSBM's departmental budget hearings and a basis for the County Manager's recommendations in the Proposed Budget. Additional budget data was requested by OCA to respond to the Board's concerns, resulting in some confusion for the operating departments; to reduce this concern, OCA and OSBM, with assistance from technical staff, are seeking to combine our budget submission forms for the next budget cycle. We will continue to communicate frequently regarding our respective analyses of the County's budget.

In the FY 2005-2006 process, departments were also instructed by OSBM to use the Automated Budget Development System (ABDS) in budget development and to update the information in ABDS throughout the budget process. Subsequently, our staff was able to use ABDS to provide the line-item budget information that we distributed to the Board. Although it was used, ABDS, and the FAMIS system upon which ABDS relies, are approaching obsolescence and are not user friendly. Their many limitations (particularly ABDS' reliance on a one-time snapshot of financial and personnel data that

must be manually updated by departments if it is to be accurate throughout the budget process) restrict the accuracy of the County's budget projections and increase the need for mid-year and end-of-year budget adjustments. As the eighth most populous county in the U.S., Miami-Dade County may benefit by moving to a more flexible, user friendly system that provides real time, countywide expenditure and personnel data throughout the budget process and throughout the fiscal year. Potential solutions might involve: (a) inclusion in future Enterprise Resource Planning (ERP) system(s), (b) separately developed applications integrating all of the County's financial and budgetary planning systems, or (c) other alternatives or combinations of applications.

At the September 22, 2005 Second Budget Hearing, Commissioners expressed an overall consensus that the budget process has been improved over prior years. However, from Commissioners' comments and our own observations, we noted a few issues and lessons learned that could further enhance the process.

- 1) At the September 22, 2005 Second Budget Hearing, Commissioner Carey-Shuler suggested and Commissioner Gimenez concurred that controls should be established on the shifting of funds between Board-approved budget line items and programs. A local example of codification of budgetary controls exists in the City of Miami Code of Ordinances, which includes an "Anti-Deficiency Act" that limits transfers of funds between line items and "Financial Integrity Principles" that set reserve requirements and establish an Estimating Conference. Commissioner Gimenez and the County Manager have indicated that they are developing proposed legislation on budgetary controls to bring forth to the Board.
- 2) Commissioner Sosa, at the June 29, 2005 Committee of the Whole, suggested that the County should decrease the amount of and recurring use of mid-year and end-of-the-year budget adjustments by improving departmental budget models. Listed below are several examples from past year budget adjustments that may create opportunities for improvement.
 - Corrections & Rehabilitation (MDCR)-Supplemental and budget amendments, from FY 2001-02 through 2004-05 mid-year adjustments, can be substantially attributed to higher than expected overtime & other personnel costs :

MDCR (See below note.)	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05 Mid-year
Personnel Costs	\$ 3,600,000	\$ 4,213,000	\$ 1,423,000	\$ 4,500,000

Note: OSBM indicates that MDCR budgeting concerns were addressed in the FY 2005-2006 budget process.

- General Services Administration (GSA)-Vehicle purchases and higher than expected work orders for most of the budget increases from FY 2000-01 through 2003-04:

GSA	FY 2001-02	FY 2002-03	FY 2003-04
Vehicle Purchases	\$ 500,000	\$ 7,080,000	\$ 4,500,000
Increase Work Orders	\$ 10,000,000	\$ 3,500,000	\$
Increase Fuel Costs	\$ -	\$ -	\$ 4,000,000

- Procurement Management (DPM)-Modification to the Advance Purchasing and Inventory Control System (ADPICS) and personnel costs for FY 2000-01 through 2003-04:

DPM	FY 2001-02	FY 2002-03	FY 2003-04
ADPICS	\$ 1,892,000	\$ 1,044,000	\$ 215,000
Personnel Costs	\$ 366,000	\$ 359,000	\$ 386,000

- Attachment 1, a table from our August 19, 2005 analysis of the (at that time) proposed mid-year budget adjustments, summarizes the most recent mid-year budget adjustments.
- 3) As suggested by Commissioner Carey-Shuler and concurred with by Commissioner Gimenez at the September 22, 2005, Second Budget Hearing, use of Estimating Conferences could improve departmental budget estimates, particularly for departments with proprietary funds, bonds, and other state or federal revenue. Park and Recreation Department venue attendance estimates were particularly noted as examples of estimates that could potentially benefit from the consensus opinions of an Estimating Conference.
- Analysis of data in Appendix E of the 2005-2006 Resource Allocation and Multi-Year Capital Plan, which lists departments with proprietary, bond, and other funds, state funds, and federal funds as revenue sources, shows that: 71 (88%) of the 81 departments listed in the 2005-2006 Proposed Resource Allocation Plan have proprietary, bond and other funds (totaling more than \$2 billion in FY 2004-05.) Some or all of these revenue estimates may benefit from the consensus opinions of an Estimating Conference.

An Estimating Conference could be a channel for other process improvements as well, such as the following. [Note: If not channeled through an Estimating Conference, the below listed process improvements should be separately implemented.]

- Provide the Board with interim reports on planned revenue or expense changes subsequent to the release of the Proposed Budget and reports on current year budget and revenue performance periodically during each fiscal year. “Change memos” are presently provided “just in time” for budget hearings and do not allow adequate time for thorough legislative consideration. Timely provision of “interim reports” would better enable the Board to consider budget policies and priorities.

- Provide periodic, regularly scheduled reports to the Board on current year budget and revenue performance to further the Board's ability to make policy decisions.
 - In combination, the above listed interim reports and the periodic, regularly scheduled reports would provide a temporary solution to the longer-term need for development of a more flexible, user friendly system that provides real time, countywide expenditure and personnel data throughout the budget process (as expressed on the first page of this OCA report.)
- 4) Include a section in proposed budgets addressing the impact of incorporation on County staffing levels and budgets. Commissioner Souto raised this issue at the June 29, 2005 Committee of the Whole, and it has been a recurring concern expressed in the past by other commissioners. At a minimum, such a section should include explanations of why budget proposals did or did not change as a result of service delivery by newly incorporated communities.
- 5) As emphasized by Commissioner Sosa at the June 3, 2005 COSHA Budget Workshop and by Commissioner Gimenez at the September 22, 2005 Second Budget Hearing, there is always a need to search for opportunities to shift resources to roles providing direct service delivery to the public.

In the budget process, this goal, to improve the focus on customer service, could be facilitated by identifying and separating "direct service" and "overhead" positions, expenses and budgets within each strategic area and within departments. By definition, managerial-level functions, internal administrative and support functions, and some entire departments (such as AMS, DPM, & ERD) would likely be entirely classified as "overhead." A pilot project to evaluate feasibility and potential usefulness of making these distinctions may be desirable.

- A potential next step after identifying direct service and overhead could involve "allocation of overhead" to more fully recognize the true costs of County programs. Allocation of overhead would be essential if the County were to increase utilization of "managed competition" to reduce costs. [Managed competition is a system wherein both departments and commercial firms would be able to bid on and directly compete for work that previously would have been done solely by a department.]
- 6) Other relevant process improvements considerations:
- Include the following in the proposed budget and in the County Manager's fiscal impact statements on legislative items proposing salary changes:
 - Comparisons of proposed salary increases (including COLA, merit, and step) with the Miami-Ft Lauderdale CPI. [COLA adjustments to County pay have increased 6.6% more than CPI over the past 5 years and 11.4% more than CPI over the past 10 years.]

- Comparisons of the proposed pay plan and proposed negotiated wage agreements with salary surveys of other very large counties (both nationwide and within Florida) and with other South Florida communities; and
- In the proposed budget only, report data on exempt employees' salaries that exceed the base pay ranges for their classifications or pay grades, by department.

Attachment:

1. "FY 2004-05 Mid-year Budget Adjustments" table extracted from OCA "FY 2004-05 Mid-Year Budget Adjustments" Report of August 19, 2005

cc: Honorable Carlos Alvarez, Mayor
Honorable Vice Chairman Dennis C. Moss and Members, Board of County Commissioners
George M. Burgess, County Manager
Jennifer Glazer-Moon, Director, OSBM

Attachment 1

FY 2004-2005 Mid-Year Budget Amendments & Supplemental Budget								
Dept	FY 2004-2005 Adopted Operating Budget	Proposed Mid-Year GF Amendment	Pct Change in GF Allocation	Proposed Mid-Year Supplemental Budget	Total of Proposed Mid-Year Adjustments	Total (Adopted Budget + Proposed Mid- Year Adjustments)	Pct Change Over Adopted Operating Budget	Remarks (FY 2004- 2005)
Agenda Coordination	\$1,040,000	\$111,000	10.7%		\$111,000	\$1,151,000	10.7%	Printing & reproduction costs
Animal Services	\$6,760,000		0.0%	\$576,000	\$576,000	\$7,336,000	8.5%	Sources: \$576,000 fines & licensing fees; \$370,000 vacancies. Expenses: \$800,000 personnel costs; \$146,000 vehicle/postage/facility costs
Board of County Commissioners	\$15,989,000	\$3,228,000	20.2%		\$3,228,000	\$19,217,000	20.2%	\$2,518,000 commission district funds carryover; \$53,000 separation costs; \$657,000 office expenditures
Capital Improvements	\$3,530,000		0.0%	\$527,000	\$527,000	\$4,057,000	14.9%	Source: bond proceeds. Expenses: \$400,000 7 new positions; \$127,000 office services/supplies/equipment & misc expenses
Community Relations	\$1,501,000	\$231,000	15.4%		\$231,000	\$1,732,000	15.4%	\$148,000 personnel costs (including \$43,000 agency temps); \$36,000 printing costs; \$10,000 after-hours meetings support for boards; \$37,000 vehicle/radio/cellular phone/equipment repair

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FY 2004-2005 Mid-Year Budget Amendments & Supplemental Budget								Remarks (FY 2004-2005)
Dept	FY 2004-2005 Adopted Operating Budget	Proposed Mid-Year GF Amendment	Pct Change in GF Allocation	Proposed Mid-Year Supplemental Budget	Total of Proposed Mid-Year Adjustments	Total (Adopted Budget + Proposed Mid-Year Adjustments)	Pct Change Over Adopted Operating Budget	
Corrections & Rehabilitation	\$226,420,000	\$4,300,000	1.9%	\$1,500,000	\$5,800,000	\$232,220,000	2.6%	
County Attorney	\$21,735,000	\$406,000	1.9%		\$406,000	\$22,141,000	1.9%	
Elections	\$13,522,000	\$7,507,000	55.5%		\$7,507,000	\$21,029,000	55.5%	
Ethics Commission	\$1,656,000	\$105,000	6.3%		\$105,000	\$1,761,000	6.3%	
Fire-Rescue	\$264,281,000	\$157,000	0.1%	\$207,000	\$207,000	\$264,488,000	0.1%	\$157,000 for Ocean Rescue; \$50,000 for Anti-Venum Unit from antivenum reimbursements
General Services Administration	\$189,261,000		0.0%	\$8,500,000	\$8,500,000	\$197,761,000	4.5%	\$4,000,000 fuel charges; \$4,500,000 departmental charges
Housing Agency	\$254,790,000		0.0%	\$37,174,000	\$37,174,000	\$291,964,000	14.6%	\$6,816,000 carryover; \$30,358,000 federal
Housing Finance Authority	\$2,153,000		0.0%	\$350,000	\$350,000	\$2,503,000	16.3%	\$350,000 housing fees & charges
Human Services	\$218,638,000	\$1,726,000	0.8%		\$1,726,000	\$220,364,000	0.8%	
Medical Examiner	\$7,570,000	\$68,000	0.9%	\$106,000	\$106,000	\$7,676,000	1.4%	\$38,000 training fees & carryover
Park & Recreation	\$99,996,000	\$4,205,000	4.2%	\$2,767,000	\$6,002,000	\$105,998,000	6.0%	Department-wide (including revenue shortfalls, Metrozoo & CDT tax revenues): \$2,767,000 additional expenditure authority; \$3,235,000 for revenue shortfalls. Sources: \$4,205,000 GF; \$1,345,000 carryover; \$452,000 CDT
Police	\$486,724,000	\$2,404,000	0.5%		\$2,404,000	\$489,128,000	0.5%	

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FY 2004-2005 Mid-Year Budget Amendments & Supplemental Budget								Remarks (FY 2004-2005)
Dept	FY 2004-2005 Adopted Operating Budget	Proposed Mid-Year GF Amendment	Pct Change in GF Allocation	Proposed Mid-Year Supplemental Budget	Total of Proposed Mid-Year Adjustments	Total (Adopted Budget + Proposed Mid- Year Adjustments)	Pct Change Over Adopted Operating Budget	
Procurement	\$8,010,000		0.0%	\$117,000	\$117,000	\$8,127,000	1.5%	\$117,000 UAP revenue
Property Appraiser	\$19,797,000	\$647,000	3.3%		\$647,000	\$20,444,000	3.3%	
Public Works	\$114,235,000		0.0%	\$412,000	\$412,000	\$114,647,000	0.4%	
Solid Waste Management	\$251,153,000		0.0%	\$2,726,000	\$2,396,000	\$253,549,000	1.0%	\$2,165,000 waste collection fees; \$561,000 carryover; less \$330,000 savings
Transit	\$330,759,000	\$5,435,000	1.6%		\$5,435,000	\$336,194,000	1.6%	\$306,000 for RTA; \$5,129,000 for MOE
Countywide Total	\$1,439,000,000	\$30,530,000	2.1%					